

Memorandum

To: Panel Members Date: September 26, 2001

From: Ron Tagami, Manager
Peter DeMauro, General Counsel File: bearing100.130agr

Subject: One-Step Agreement for **Bearing Inspection, Inc.**
(bearinginspection.com)

CONTRACTOR:

- Training Project Profile: Retraining: companies w/out-of-state competition
- Legislative Priorities: Moving to a High Performance Workplace
- Type of Industry: Manufacturing
- Repeat Contractor: No
- Contractor's Full Time Employees:
 - Company Wide: 130
 - In California: 130
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: N/A

CONTRACT:

- Program Costs: \$20,514
- Substantial Contribution: \$0
- Total ETP Funding: \$20,514
- In-Kind Contribution: \$28,976
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Orange
- Duration of Agreement: 24 months

TRAINING PLAN:

- | | | |
|---|---|--------------------|
| • Average Cost Trainee: | New Hire: \$0 | Retrainee: \$1,080 |
| • Type(s) of Training: | Continuous Improvement, Management Skills,
Manufacturing Skills, Computer Skills | |
| • Number to be retained: | New Hire: 0 | Retrainee: 19 |
| • Range of hours: | 68-90 | |
| • Range of hourly wages: | \$12.08 to \$26.61 | |
| • Prevalent hourly wage: | \$15.79 | |
| • Weighted average hourly wage: | \$15.25 | |
| • Health benefits used to meet ETP
minimum wage: | No | |

SUBCONTRACTORS:

International Business Language – Mission Viejo, California – \$17,838 for provision of all classroom/laboratory training and \$2,678 for provision of a portion of project administrative services.

THIRD PARTY SERVICES:

The Contractor states that International Business Language assisted in the preparation of the application for a flat rate of \$1,500.

NARRATIVE:

Founded in 1955 and located in Los Alamitos, Bearing Inspection, Inc. performs main and engine bearing inspection and reconditioning services for the aerospace and industrial sectors. Early in the history of aviation, bearings that failed inspection required the user to purchase new bearings which could be cost prohibitive. This led Bearing Inspection engineers to develop a bearing reconditioning process which expanded the company's services beyond inspection. This company also provides services such as inventory management, reject replacement, on-site inspection, engine kit programs, and quality conformance inspections for new bearings. Bearing Inspection employs 130 Californians.

As a manufacturer, Bearing Inspection has out-of-state competition and, therefore, was approved eligible for funding under Title 22, California Code of Regulations, Section 4416(b), Out-of-State Competition.

Building on the success of the aviation sector, Bearing Inspections is expanding into the aero-derivative markets which are jet aircraft engines that have been adapted and modified for use in the production of electricity and steam, pumping of fuel and other fluids, and to propel ships.

NARRATIVE: (continued)

With savings of up to 60% over new bearings, reconditioned bearings lend much to improving the bottom line for Bearing Inspection's customers. While the bearings are returned to their customers in "like-new" condition, Bearing Inspection does not alter the original design of the bearing. At each step of the reconditioning process, all fatal flaws are rejected to ensure the optimal function and safety for the customers and their clients.

Out-of-state competitors are threatening this California company by providing the same services at lower operating costs and by paying lower wages to their workers. Bearing Inspection must now compete on other levels. Revamping their antiquated manufacturing methodologies by streamlining processes, reducing turnaround time, improving product quality, and retraining current workers will be part of the company's move into a high performance workplace. By working more efficiently with more skilled workers, Bearing Inspection can remain competitive in the California economy.

To effect and manage changes in product development and output, Bearing Inspection will retrain current workers in one of more of the following: Continuous Improvement, Manufacturing Skills, Management Skills, and Computer Skills. All trainees are currently in lead or supervisory positions and, following training, it will become their responsibility to train, manage, motivate, or mentor the remaining workers at the company's expense.

Project administrative services will be shared by the Contractor and International Business Language.

Supplemental Nature of Training

The funding Bearing Inspection is seeking will supplement their existing on-the-job training program. Along with government-mandated safety training, new workers are given a company orientation and trained on-the-job in hard skills associated with the use of machinery and procedures linked to the equipment. The company has not provided any other structured training program in the past.

Under this project, Bearing Inspection will offer Continuous Improvement as a holistic approach which will allow workers with divergent skills and competencies to better understand the manufacturing process through team building, problem solving, process improvement, and setting goals and objectives. Through Manufacturing Skills training, workers will be able to increase their levels of expertise in such areas as sound testing, complex precision measuring, and advanced blueprint reading. Management Skills training will increase the competencies of leads and supervisors to motivate and mentor their staff to achieve company goals. These trainees have been promoted from within the ranks and had had no formal training in how to manage people. Workers will also learn new Computer Skills which is an integral part of the company's goal of operating efficiency.

Following the ETP-funding training, Bearing Inspection will continue training new and long-term staff to maintain its manufacturing processes to keep pace with customer's expectations of better quality, faster turnaround, and streamline processes.

In-Kind Contribution

The Contractor is contributing \$28,976 in wages and benefits paid to workers while in training.

PROPOSED ACTION:

Staff recommends that the Panel approve this One-Step Agreement, if funding is available and the project meets the Panel priorities. This recommendation is based on Bearing Inspection's stated need to provide its workers with skills to remain competitive, to ensure a continuing relationship with its customers, and to remain viable in the California economy.

Contractor: Bearing Inspection, Inc.

Training Data									(c) Payment Schedule				
1	2	3	4	5 (a) Cls/Lab Video- conf. Hours	6 CBT Hours	7 (b) SOST Hours	8 Cost Per Trainee	9 Total SOST Trainer Hrs.	10 Hrs. to Enroll/ Pay 1 Enroll	11 Pay 2 Compl	12 Pay 3 Hired	13 Pay 4 After 90 Days	14 (d) Wage After Reten- tion
Job #	Occupations	Type of Training	No. Retain										
1	Leadperson	Direct-Employer, Retrainees <i>MENU: Trainees will receive one or more of the following: Continuous Improvement Manufacturing Skills Management Skills Computer Skills</i>	2	88			\$1,144		8	\$ 286.00	\$ 572.00	\$ - \$ 286.00	\$17.77- 18.73/hr
687				88									
2	Team Leadpersons	Direct-Employer, Retrainees <i>MENU: Trainees will receive one or more of the following: Continuous Improvement Manufacturing Skills Management Skills Computer Skills</i>	9	90			\$1,170		8	\$ 292.50	\$ 585.00	\$ - \$ 292.50	\$15.92- 26.61/hr
687				90									
3	Team Leadpersons	Direct-Employer, Retrainees <i>MENU: Trainees will receive one or more of the following: Continuous Improvement Manufacturing Skills Management Skills Computer Skills</i>	2	78			\$1,014		8	\$ 253.50	\$ 507.00	\$ - \$ 253.50	\$19.72- 24.51/hr
687				78									

(a)Advanced Technology must be provided as class/lab.

(b)Figures for calculation purpose only.

(c)For Welfare to Work: Pay 2=50% Completion hrs. Pay 3=100% Completion hrs.

(d)Wages by occupation on Comment Page.

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Training Data									(c) Payment Schedule					
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Job #	Occupations	Type of Training	No. Retain	Hours	CBT Hours	(b) SOST Hours	Cost Per Trainee	Total SOST Trainer Hrs.	Hrs. to Enroll/ Pay 1 Enroll	Pay 2 Compl	Pay 3 Hired	Pay 4 After 90 Days		
4	Leadperson	Direct-Employer, Retrainees <i>MENU: Trainees will receive one or more of the following: Continuous Improvement Manufacturing Skills Management Skills Computer Skills</i>	1	84			\$1,092		8	\$ 273.00	\$ 546.00	\$ -	\$ 273.00	\$12.08/hr
687				84										
5	Office Leadpersons	Direct-Employer, Retrainees <i>MENU: Trainees will receive one or more of the following: Continuous Improvement Manufacturing Skills Management Skills Computer Skills</i>	4	68			\$884		8	\$ 221.00	\$ 442.00	\$ -	\$ 221.00	\$13.25- 14.75/hr
687				68										
6	Quality Assurance Supervisor	Direct-Employer, Retrainees <i>MENU: Trainees will receive one or more of the following: Continuous Improvement Manufacturing Skills Management Skills Computer Skills</i>	1	80			\$1,040		8	\$ 260.00	\$ 520.00	\$ -	\$ 260.00	\$17.59/hr
687				80										

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Job #	Occupations	Type of Training	No. Retain										

Contract Totals				
Program Cost			\$20,514	Total to be Retained 19
Substantial Contribution (___%)	(-)		\$0	
Multiple-Empl. Support (___%)	(+)		\$0	
TOTAL ETP Funding	(=)		\$20,514	

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Contractor: Bearing Inspection, Inc.

Turnover Rate	% of Mgrs. & Sups. to be trained		Health Benefits Inc. in Wage?		
16.7%	N/A		No		

Location of training: All training will be conducted on company premises in Los Alamitos during work hours.

Ratios: The ratio of trainers to trainees for class/lab training shall not exceed 1:20 for retrainees.

If Health Benefits is "YES", please explain: N/A

Other notes:

(d) Wages by occupation after retention:

<u>Occupations</u>	<u>Wage Range</u>
Leadperson	\$12.08-18.73/hr
Office Leadperson	\$13.25-14.75/hr
Quality Assurance Supervisor	\$17.59/hr
Team Leadperson	\$15.92-26.61/hr